

PORT ST. JOHNS LOCAL MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS
for the year ended 30 JUNE 2007

PORT ST. JOHNS LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2007

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PORT ST. JOHNS LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2007

GENERAL INFORMATION

For the year ended 30 June 2007

MEMBERS OF THE EXECUTIVE COMMITTEE

Mayor W.M Mtakati

Councillor Z.H. Cube

Councillor N.Mfiki

Councillor N.A. Ncoyini

Councillor J.T. Qikani

Councillor N. Qikani

Councillor J. Tambodala

GRADE OF LOCAL AUTHORITY

Grade 2

AUDITORS

Auditor-General

BANKERS

Meeg Bank

Standard Bank

First National Bank

REGISTERED OFFICE

Town Hall

Main Street

PORT ST. JOHNS

P.O. Box 2

PORT ST. JOHNS

5120

Telephone: 047 – 564 1207/8

Facsimile: 047 – 564 1206

MUNICIPAL MANAGER

Z. Hewu

CHIEF FINANCE OFFICER

Z. Mrwebi

PORT ST. JOHNS LOCAL MUNICIPALITY

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For the year ended 30 JUNE 2007

For the year ended 30 June 2007

MEMBERS OF THE PORT ST. JOHNS LOCAL COUNCIL

Councillor N. Gaya
Councillor K. Hanxa
Councillor A. Jakavu
Councillor N. Kawu
Councillor M.P.J. Kotana
Councillor P. Langa
Councillor S.J. Lobi
Councillor D. Mangqo
Councillor K. Marini
Councillor N.N. Matentamo
Councillor V. Msobo
Councillor M.C. Mzilikazi
Councillor D.S. Ncola
Councillor S. Ndabeni
Councillor P.N. Ngozi
Councillor N.R. Nodela
Councillor B.N. Nokhanda
Councillor A.N. Notobela
Councillor N.T. Tshiceka
Councillor B.P. Vapi
Councillor C.T. Xangayi
Councillor N. Xhongo
Councillor M. Hilihili
Councillor R.M. Zweni

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

PORT ST. JOHNS LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS For the year ended 30 JUNE 2007

The annual financial statements set out on pages 1 to 29 were approved by the Municipal Manager on the 06 November 2007.

MUNICIPAL MANAGER
(Accounting Officer)
06 November 2007

CHIEF FINANCE OFFICER
06 November 2007

PORT ST. JOHNS LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2007

FOREWORD

For the year ended 30 June 2007

It is my joy and privilege to present this overview for the year under review. In spite of the challenges facing the Local Government Sector in general and indeed our municipality at Port St Johns, in the year under review we have nonetheless achieved a few remarkable milestones. While we might have 'won the war' on some of these challenges, the battle is however not over. In this foreword to the financial statements I will highlight the success stories of the past financial year and conclude by highlighting the challenges of the past year, as well as the challenges facing us in the future.

Our municipality is the first municipality in the province to approve and implement by-laws. The drafting, approval and implementation of municipal by-laws has been a historical challenge going back a number of years, however, in the current financial year, this become one of flagships of success. Before the end of December 2007, the implementation of the new Property Rates Act will be well underway. In the year under review and in the months since year end, a number preparatory activities have been well underway. We further report that in the year under review we have undertaken the following initiatives / projects:

Alongside the Department of Agriculture, we have intervened at the Mantusini Diary Project; We also intervened at the Majola Tea Industry; The previous paddle boats used by some of our communities to cross the Umzimvubu river have been replaced with modern engine boats – this is quite crucial as lives have been lost in the previous paddle boats.

As indicated above and while we may have realized these achievements a number of challenges nonetheless remain facing us. I will now highlight these.

The municipality has serious gaps on the capacity of its personnel with specific reference to the Finance Department; Engineering Department and the Information Technology Function (part of the Finance Department). Indeed major recruitments have been made in some of these areas, however, the challenge of enhancing the skill levels of our existing personnel remains. Linked to the Finance Department is the fact that there are backlog audits of at least 2004/05 and 2005/06 financial years which have not been done as yet. We also have a challenge of working on changing the disclaimer of opinion previously issued on our financial statements.

Further challenges are the office space issue, the issue of property rates and service charge collections. The Engineering Department does not have adequate plant to work with. The municipality continues to face challenges with respect to payroll creditors. The sea continues erode and seriously damage our beaches as it continues to come into the land. In this regard we need an urgent intervention by the Department of Environmental Affairs. Further to the foregoing we also have a challenge to revitalize our beaches so as to obtain a Blue Flag Status as a tourist attraction point to boost our Local Economic Development all-year-round. The Treasurer's report also makes a reference to the fact that we have to change the financial fortunes of our municipality and this must be done urgently.

In conclusion, while we have achieved a handful of tasks, the majority of the work lies ahead as we have to work the Port St Johns municipality work, right from an effective collection of rates and service charge income to providing an excellent service all round to our ratepayers, other service beneficiaries and holidaymakers. At present we are exploring a number of options to bring about a lasting change.

PORT ST. JOHNS LOCAL MUNICIPALITY

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For the year ended 30 JUNE 2007

FOREWORD (continued)

For the year ended 30 June 2007

As I conclude, I urge the Council, the Executive Committee and Management to work to improve our overall performance even further in the 2007/08 financial year and beyond.

W M Mtakati

**Mayor and Chairperson of the
Executive Committee**

PORT ST. JOHNS LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2007

TREASURER'S REPORT

For the year ended 30 June 2007

1. REVIEW OF OPERATING RESULTS

Tabulated here below are the highlights of the operating results in respect of the year ended 30 June 2007. Detailed operating results are presented on Appendices C and D. The reported budget figures represent the revised budget figures.

INCOME	Budget 2007	Actual 2007	Variance Budget / Actual	Actual 2006
Grants and Subsidies				
➤ Central Government	30,000,000	26,026,399	(3,973,601)	23,752,911
➤ Provincial Government	-	10,377,637	10,377,637	5,457,206
				-
Operating Income				
➤ Assessment Rates	-	763,905	763,905	1,124,414
➤ Refuse Removal	-	25,140	25,140	118,768
➤ Other Income	50,000	826,049	776,049	528,321
	30,050,000	38,019,130	7,969,190	31,042,620
EXPENDITURE				
Total operating expenditure	29,577,065	42,732,623	(18,624,456)	42,154,079
Less: Portion Financed Externally	-	(587,710)	587,710	-
Net operating expenditure	29,577,065	42,144,913	(18,036,746)	42,154,079
Surplus / (deficit)	472,935	(4,125,783)	(10,067,616)	(1,111,459)

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For the year ended 30 JUNE 2007

TREASURER'S REPORT (continued)

For the year ended 30 June 2007

1. REVIEW OF OPERATING RESULTS (continued)

1.1 Commentary on the operating results

Income and expenditure

The increase in income of R6,976,510 is largely attributable to increase in grants and subsidies received from the Provincial Government. Assessment rates have decreased by R360,509 (32%) in comparison to prior year.

Current year net operational expenditure of R42,144,913 is virtually unchanged from prior years' equivalent expenditure of R42,154,079. However in comparison to current year budget, net operating expenditure has exceeded budget by R18,624,456 (77%). In real terms net operational expenditure in relation to prior year has in fact decreased given the level of inflation from year to year as well as mandatory salary increments already effected into these expenditure totals, which (salries and allowances) increased by 15% to R20,420,118 in relation to prior year. In the current year, transfer grants paid to the Municipality's Development Agency amount to R2,781,849. In summary, for the current year the municipality incurred a net deficit of R4,125,723 in relation to a net deficit of R11,111,459 in the prior year.

PORT ST. JOHNS LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2007

TREASURER'S REPORT (continued)

For the year ended 30 June 2007

2. CAPITAL EXPENDITURE AND FINANCING

Total fixed asset additions during the year amounted to R29 593 988 (2006: R414 530). They are made up as follows:

Capital Expenditure category	Budget 2007	Actual 2007	Variance Budget / Actual	Actual 2006
Land & Buildings	45,000	-	45,000	-
Furniture and Fittings	-	63,504	(63,504)	16,957
Motor Vehicles	250,000	587,710	(337,710)	337,605
Plant and Equipment	600,000	-	600,000	6,373
Computer equipment	300,000	-	300,000	53,595
	1,195,000	651,214	543,786	414,530

Resources used to finance fixed assets were as follows:

Contributions from:	Budget 2007	Actual 2007	Variance Budget / Actual	Actual 2006
Revenue Contribution	1,195,000	63,504	1,131,496	414,530
Financed externally	-	587,710	(587,710)	-
	1,195,000	651,214	543,786	414,530

2.1 Commentary on capital expenditure and financing

On the municipality's administrative assets the municipality spent R651,214 (reported as contribution to fixed assets), R587,710 of which was externally funded. The total capital expenditure is R6,549,524 (2006: R5,363,168). This included Local Economic Development Projects of R1,653,795; Access roads of R3,964,905 and the Mayoral Discretionary Fund of R279,610.

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For the year ended 30 JUNE 2007

For the year ended 30 June 2007

3. EXTERNAL LOANS, INVESTMENTS AND CASH

An external loan worth R587,710 were raised to finance the purchase of a municipal motor vehicle. At year end R129,100 thereof has been repaid already, leaving an outstanding capital balance of R458,610. A similar loan that existed in the prior year, utilized to finance the acquisition of Telephone Equipment has been fully repaid with the last instalment paid in February 2007.

Given the challenges experienced by the municipality, the cash flow position has not improved, rather it has deteriorated with the substantial increase in the bank overdraft from prior to current year. Municipal management and the council are working on various turnaround strategies to reverse the financial fortunes of the municipality in a sustainable manner.

4. POST BALANCE SHEET EVENTS

No material events have occurred since the balance sheet date.

5. EXPRESSION OF APPRECIATION

I am grateful to the Mayor, the Executive committee of the Council, the Council and the Municipal Manager for the support they have given me and to the staff of the Finance Department for their assistance and support during the year.

Z. Mrwebi

Chief Finance Officer

06 November 2007

PORT ST. JOHNS LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2007

ACCOUNTING POLICIES

For the year ended 30 June 2007

1. BASIS OF PRESENTATION

- 1.1** These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Accounting Practice (1997) and the Report on Published Annual Financial Statements (Second edition – January 1996 as amended).
- 1.2** The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy note 8. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3** The financial statements are prepared on the accrual basis:
- Income is accrued when measured and available to finance operations.
 - Expenditure is accrued in the year it is incurred.

2. REVENUE

Revenue comprises of assessment rates, refuse removal, lease rentals, other revenue / sundry income and grant subsidy income.

2.1 Assessment Rates

Assessment rates are levied at an approved annual rate on the value of land and buildings. All rateable properties are charged assessment rates based on the municipal valuation of properties. The revenue is recognised on issue of assessment rates to ratepayers.

2.2 Refuse Removal

Refuse is levied at monthly flat rates approved by Council. Revenue is recognized once the service has been performed and done so at monthly intervals.

2.3 Lease Rentals

Lease rentals are billed monthly in accordance with the terms of the rental as specified in the lease agreement. Lease rental income is recognized monthly in advance.

2.4 Grant Subsidy Income

Government and related grants are recognised as revenue on an accrual basis and in accordance with the funder's annual disbursement plan as they relate to the municipal statutory annual reporting period.

PORT ST. JOHNS LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2007

ACCOUNTING POLICIES (CONTINUED)

For the year ended 30 June 2007

2.5 Other revenue / sundry income

These comprise traffic fines, grave site fees, license fees, vending, plan fees and other incidental revenue. These are recognised on receipt of the income.

3. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

To the extent that they affect previously disclosed financial information (amounts), changes in accounting policies are accounted for with retrospective effect resulting in a restatement of previously disclosed retained surplus or accumulated deficit and comparatives as applicable. Changes in accounting estimates have no retrospective effect and these are accounted for by adjusting current year and future accounting estimates. Where changes in estimates have a fundamental effect on the current year financial information, these are disclosed as abnormal items. Fundamental prior year errors are corrected through a prior year adjustment entry restating the previously disclosed retained surplus or accumulated deficit with a restatement of comparatives. The nature of the error and the impact of the correcting entry are briefly explained in the correcting note. For completeness purposes, a further note depicting the previously disclosed amounts against the corrected amounts is disclosed.

4. ACCUMULATED SURPLUS / DEFICIT

Accumulated surplus / deficit reflect the residual of revenue against the sum of operating expenditure, capital expenditure and appropriations.

5. REVOLVING FUNDS

In order to finance the provision of infrastructure and other items of property, plant and equipment, amounts are set aside from unappropriated surpluses to the Revolving Fund.

6. TRUST FUNDS

Trust funds are representative of external funding received and set aside for specific projects. Receipts into and disbursements out of these trust funds only impact the relevant trust fund account and the equivalent trust fund bank account with no impact on the rest of the municipality's income statement as the funds are held in trust.

7. PROJECT FUNDS

Project funds are representative of external funding received for the undertaking of designated projects. These funds are set aside for pre-identified individual projects or a pre-defined general nature of an intervention. The project funds are not treated as operational grants upon receipt but revenue is recognised upon spending of the funds for the designated purpose to the extent of the expenditure.

PORT ST. JOHNS LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2007

ACCOUNTING POLICIES (CONTINUED)

For the year ended 30 June 2007

8. FIXED ASSETS

8.1 Fixed assets are stated at historical cost or at valuation (based on market price at date of acquisition) where assets have been acquired by grant or donation, while they are in existence and fit for use except in the case of bulk assets which are written off at the end of their estimated useful life as determined by the Treasurer.

8.2 Depreciation: The balance shown against the heading "Loans Redeemed and other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation; however certain structural differences do exist. Through this "provision" assets are written down over their estimated useful life. Loans are repaid within the estimated useful lives of assets acquired through such loans. The cost or value of such asset as financed is immediately credited to the "Loans Redeemed and other Capital Receipts" accounts. Apart from advances from the various council funds, assets may also be acquired through:

Appropriations from operating income, where the full cost of the asset forms an immediate and direct charge against operating income, the full cost of the acquired asset becomes a direct charge to the income statement and is effectively written off on acquisition.

Grant and Donation, where the amount representing the value of such grant or donation is immediately credited to the 'Grant and Subsidies' accounts in the balance sheet.

8.3 Fixed assets are financed from different sources of funding which include external loans, endowments, internal advances, designated or general grant subsidy income, operating income and various accumulated council funds.

8.4 All net proceeds from the sale of fixed assets are credited to the revolving fund.

9. INVESTMENTS

Investments are stated at the lower of cost or market value if a permanent decline in the value has occurred.

10. PROVISIONS

Provisions are recognised when the municipality has a present or a constructive obligation as a result of past events and is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

11. BAD DEBT PROVISION

The bad debt provision is calculated on the ageing of debtors. The Council's policy is to provide on all debtors that have been handed over to collection agencies, and 50% of all consumer debtors' balances that have been outstanding for more than 365 days.

PORT ST. JOHNS LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2007

ACCOUNTING POLICIES (CONTINUED)

For the year ended 30 June 2007

12. ASSESSMENT RATES

The municipality applies a differential site rating system in terms of which assessment rates are levied on the value of the property, and rebates are granted according to the use to which a particular property is put. Rebates of 100% were granted to the owners of land accommodating churches and educational establishments.

13. IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with the provisions of the Municipal Finance Management Act. Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. All irregular and fruitless and wasteful expenditure is charged against income in the period in which they are incurred.

14. UNAUTHORISED EXPENDITURE

Unauthorised expenditure means expenditure incurred not in accordance with the municipality's authorization process and levels. All unauthorized expenditure is charged against income in the period in which it is incurred.

15. POST BALANCE SHEET EVENTS

Post balance sheet events are classified into two categories; material events occurring after the balance sheet date that confirm the accurate position of disclosed financial information at the balance sheet date and those events occurring after the balance sheet date with no impact on the financial information disclosed at the balance sheet date yet material enough for the appreciation of the financial statements as a whole. In respect of the former category, adjustments are made to the balance sheet and in respect of the latter category appropriate disclosure is made in the treasures' report stating the nature and the impact and the timing of the event.

PORT ST. JOHNS LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2007

As at 30 JUNE 2007

	Notes	2007 R	2006 R
CAPITAL EMPLOYED			
Statutory Funds	1	1,182,279	1,003,054
Trust Funds	2	2,978	2,950
Project Funds	3	3,238	3,231
LONG-TERM LIABILITIES	4	226,529	-
		<u>1,415,024</u>	<u>1,009,235</u>
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	5	610,979	23,269
LONG-TERM LOANS RECEIVABLE	6	174,404	98,044
NET CURRENT LIABILITIES		(9,148,056)	(4,763,992)
Current Assets		7,730,012	7,943,147
Debtors	7	7,124,780	7,024,303
Current portion of long-term loans receivable	6	80,544	358,816
Short term investments	8	522,622	557,168
Bank and cash		2,066	2,860
Current Liabilities		(16,878,068)	(12,707,139)
Current portion of long term liabilities	4	232,081	17,623
Creditors	9	7,833,773	8,905,064
Bank overdraft	10	8,812,214	3,784,452
ACCUMULATED DEFICIT		9,777,697	5,651,914
		<u>1,415,024</u>	<u>1,009,235</u>

INCOME STATEMENT

For the year ended 30 June 2007

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For the year ended 30 JUNE 2007

2006 Actual income R	2006 Actual expenditure R	2006 Surplus/ (deficit) R		2007 Actual income R	2007 Actual expenditure R	2007 Surplus/ (deficit) R	2007 Budget R
RATES AND GENERAL SERVICES							
31,042,620	42,154,079	(11,111,459)	Community services	38,019,130	42,144,913	(4,125,783)	472,935
31,042,620	42,154,079	(11,111,459)		38,019,130	42,144,913	(4,125,783)	472,935
		(11,111,459)	Net deficit for the year			(4,125,783)	
31,378			Appropriations for the year				
7,825,467			Accumulated surplus / (deficit) at the beginning of the year			(4,031,752)	
(777,138)			Prior year adjustment (Note 13)			(1,620,162)	
7,048,329			Restated accumulated surplus / (deficit) at the beginning of the year			(5,651,914)	
			ACCUMULATED DEFICIT AT THE END OF				
(4,031,752)			THE YEAR			(9,777,697)	

STATEMENT OF CHANGES IN FUNDS

For the year ended 30 June 2007

PORT ST. JOHNS LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2007

	Note	Funds	Accumulated surplus	Total
Balance at 01 July 2005		953,758	6,848,046	7,801,784
Prior year adjustment		-	977,421	977,421
Restated opening balance – 01 July 2005		953,758	7,825,467	8,779,205
Prior year adjustment		-	(777,138)	(777,138)
Deficit for the year		-	(11,111,459)	(11,111,459)
Appropriations for the year		-	31,378	31,378
Advances and interest received		88,525	-	88,525
Withdrawals		(33,048)	-	(33,048)
Balance at 01 July 2006		1,009,235	(4,031,752)	(3,022,517)
Prior year adjustment	12	-	(1,620,162)	(1,620,162)
Restated opening balance – 01 July 2006		1,009,235	(5,651,914)	(4,642,679)
Deficit for the year		-	(4,125,783)	(4,125,783)
Advances and interest received		179,260	-	179,260
Balance at 30 June 2007		1,188,495	(9,777,697)	(8,589,202)

CASH FLOW STATEMENT

For the year ended 30 June 2007

Note	2007	2006
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PORT ST. JOHNS LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2007

		R	R
OPERATING ACTIVITIES			
Cash utilized in operations	14	(3,493,375)	(12,218,905)
Interest received		80,445	15,260
Interest paid		(649,349)	(206,209)
(Increase) / decrease in working capital	15	(679,038)	9,044,592
Net cash used in operating activities		(4,741,317)	(3,365,262)
NET CASH (USED IN) / GENERATED FROM INVESTING ACTIVITIES		(727,574)	75,613
Investment in fixed assets		(651,214)	(414,530)
Proceed on disposal of fixed assets		-	61,000
(Increase) / decrease in long-term loans receivable		(76,360)	315,416
Decrease in deferred charges		-	113,727
NET CASH USED IN FINANCING ACTIVITIES		405,789	55,477
Net increase in statutory, trust and project funds	16	179,260	55,477
Increase in long-term liabilities		226,529	-
Net decrease in cash and cash equivalents		(5,063,102)	(3,234,172)
Cash and cash equivalents at the beginning of the year	17	(3,224,424)	9,748
Cash and cash equivalents at the end of the year		(8,287,526)	(3,224,424)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2007

2007

2006

PORT ST. JOHNS LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2007

	R	R
1. STATUTORY FUNDS		
Revolving Fund	<u>1,182,279</u>	<u>1,003,054</u>
2. TRUST FUNDS		
Aids Awareness Fund	510	505
Disaster Fund	340	337
IDP Funds	353	351
Local Economic Development Fund	847	839
Mayoral Discretionary Fund	835	826
Youth Development Fund	93	92
	<u>2,978</u>	<u>2,950</u>
3. PROJECT FUNDS		
Free Basic Services	2,412	2,412
MSP Project Fund	826	819
	<u>3,238</u>	<u>3,231</u>
4. LONG-TERM LIABILITIES		
Meeg Bank Motor Vehicle Loan	458,610	-
Less: Current portion disclosed under current liabilities	<u>(232,081)</u>	<u>-</u>
	<u>226,529</u>	<u>-</u>
The instalment sale bears interest at a nominal rate of 10.25% per annum and is repayable in two monthly instalments of R12,577 and R12,850.		
5. FIXED ASSETS		
Fixed assets at the beginning of year	23,269	737,266
Capital expenditure during the year	<u>651,214</u>	<u>414,530</u>
Total fixed assets	<u>674,483</u>	<u>1,151,796</u>
Less: Contributions from revenue contributions	-	(414,530)
Contributions from grants and subsidies	<u>(63,504)</u>	<u>-</u>
Loans redeemed	-	(713,997)
Net fixed assets	<u>610,979</u>	<u>23,269</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2007

2007

R

2006

R

PORT ST. JOHNS LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2007

6. LONG TERM LOANS RECEIVABLE

Vehicle loans - Managers	254,948	456,860
Less: Current portion transferred to current assets	(80,544)	(358,816)
	<u>174,404</u>	<u>98,044</u>

These loans bear interest at 8% per annum and are repayable in monthly instalments totaling R8,170 (2006: R27,866)

7. DEBTORS

7.1 Consumer debtors

Rates and refuse	6,886,687	6,898,693
Provision for bad debts	(3,591,717)	(3,591,717)
	<u>3,294,970</u>	<u>3,306,976</u>

7.2 Sundry debtors

VAT Refundable	1,284,197	1,191,386
Other	2,545,613	2,525,941
	<u>3,829,810</u>	<u>3,717,327</u>
	<u>7,124,780</u>	<u>7,024,303</u>

8. SHORT – TERM INVESTMENTS

Unlisted

Standard Bank Revolving Fund	7,672	4,546
Meeg Bank Revolving Fund	20,738	61,666
Local Economic Development Fund	847	840
Municipal Savings	490,398	487,174
Youth Development Fund	93	92
Disaster Fund	339	337
IDP Funds	353	350
Aids Awareness Fund	510	505
Mayoral Discretionary Fund	835	827
Free Basic Services Fund	12	12
MSP Projects	826	819
	<u>522,622</u>	<u>557,168</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2007

2007
R

2006
R

PORT ST. JOHNS LOCAL MUNICIPALITY

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For the year ended 30 JUNE 2007

9. CREDITORS

Trade creditors and accruals	2,354,773	5,927,009
Payroll creditors	5,645,540	2,964,595
Deposits	13,460	13,460
	<u>7,833,773</u>	<u>8,905,064</u>

10. BANK OVEDRAFT

Main operating account – Meeg Bank	8,810,387	3,784,452
Revolving Fund No.2 Account – Standard Bank	1,827	-
	<u>8,812,214</u>	<u>3,784,452</u>

11. AUDITORS' REMUNERATION

Audit fees – current year	-	170,000
- prior years	482,456	222,311
	<u>482,456</u>	<u>392,311</u>

12. COUNCILLORS' ALLOWANCES

Mayor's allowances	423,418	266,867
Councillors' allowances	4,234,648	2,057,835
Council pension contributions	34,027	538,450
	<u>4,692,093</u>	<u>2,863,152</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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13. PRIOR YEAR ADJUSTMENT

13.1	In prior years a number of clearing / control accounts remained uncleared. This was as a result of a lack of audit trail in respect of the transactions processed therein. This entry now clears these clearing / control accounts retrospectively.	(1,485,662)
13.2	In the prior year the total PAYE amount due and payable to SARS was understated. This entry corrects and restates the previously understated PAYE liability.	(399,224)
13.3	A bank account previously linked to the former Presidential Project initiative dating back to the year 2000, remained stated in the balance sheet notwithstanding its closure years ago.	(34,636)
13.4	A number of bank accounts were reported with inaccurate bank balances in the prior year. This entry corrects these bank balances with retrospective effect.	(298,301)
13.5	A loan account with one of the commercial banks was overstated in the prior year. This entry corrects this loan account.	5,646
13.6	In the prior year a provision for Workmens Compensation was created yet an accrual for the same purpose was also raised. Furthermore, the provision entailed a gross over-provision. This correcting entry eliminates such provision.	115,825
13.7	In 2006 Treasury issued a revised guideline on provisions outlawing the creation of provisions for audit and accounting services by public institutions inclusive of municipalities. This entry therefore effects such change in accounting policy on existing provisions.	476,190
		<u>(1,620,162)</u>

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13.8	Restatement of comparatives in the balance sheet	Previously Reported	Restated
	Accounts receivable	8,836,681	7,024,303
	Short term investments	529,891	557,168
	Bank and cash	36,358	2,860
	Accounts payable	(9,097,855)	(8,905,064)
	Current portion of long-term liabilities	(23,269)	(17,623)
		<u>281,806</u>	<u>(1,338,356)</u>

14. CASH UTILISED BY OPERATIONS

Deficit for the year	(4,125,783)	(11,111,459)
Adjustment for:		
Appropriations for the year	-	31,378
Prior year adjustments	-	(2,397,300)
Capital expenditure	651,214	414,530
Less: Portion financed externally	(587,710)	-
Capital charges external loans		713,997
Proceeds on disposal of fixed assets	-	(61,000)
Interest paid	649,349	206,209
Interest received	(80,445)	(15,260)
	<u>(3,493,375)</u>	<u>(10,598,743)</u>

15. (INCREASE) / DECREASE IN WORKING CAPITAL

Decrease in inventory	-	27,885
(Increase) / decrease in debtors	(100,477)	2,337,395
Decrease / (increase) in current portion of long-term loans receivable	278,272	(24,427)
(Decrease) / increase in creditors	(1,071,291)	7,423,376
Increase / (decrease) in current portion of long-term liabilities	214,458	(719,637)
	<u>(679,038)</u>	<u>9,044,592</u>

16. NET INCREASE IN STATUTORY, TRUST AND PROJECT FUNDS

Increase in statutory funds	179,225	86,633
Increase / (decrease) in trust funds	28	(46)
Increase / (decrease) in project funds	7	(31,110)
	<u>179,260</u>	<u>55,477</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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	2007 R	2006 R
17. CASH AND CASH EQUIVALENTS AT THE BEGINNING		

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OF THE YEAR

Short-term investments	557,168	758,106
Bank and cash	2,860	72,208
Bank overdraft	(3,784,452)	(820,566)
	<u>(3,224,424)</u>	<u>9,748</u>

APPENDIX A: STATUTORY FUNDS, TRUST FUNDS AND PROJECT FUNDS

	Balance at 30 June 2006	Contributions during the year	Interest on investments	Expenditure during the year	Transfer to Appropriation account	Balance at 30 June 2007
STATUTORY FUNDS						

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Revolving Fund	1,003,054	179,225	-	-	-	1,182,279
	1,003,054	179,225	-	-	-	1,182,279
TRUST FUNDS						
Aids Awareness Fund	505	-	5	-	-	510
Disaster Fund	337	-	3	-	-	340
IDP Funds	351	-	2	-	-	353
Local Economic Development Fund	839	-	8	-	-	847
Mayoral Discretion Fund	826	-	9	-	-	835
Youth Development Fund	92	-	1	-	-	93
	2,950	-	28	-	-	2,978
PROJECT FUNDS						
Free basic service Fund	2,412	-	-	-	-	2,412
MSP Project Fund	819	-	7	-	-	826
	3,231	-	7	-	-	3,238

APPENDIX B: EXTERNAL LOANS

External Loans

Settlement	Balance at	Received	Redeemed	Balance at
date	30 June 2006	during the	for the year	30 June 2007
		year		

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Asset					
Telephone equipment (switchboard system)	February 2007	23,269	-	23,269	-
Motor vehicles	October 2011	-	587,710	129,100	458,610
		23,269	587,710	152,369	458,610

APPENDIX C: ANALYSIS OF FIXED ASSETS

Expenditure	Budget	Balance at	Expenditure	Redeemed,	Balance at
2006	2007	30 June	during year	transferred,	30 June
R	R	2006	R	written off	2007
		R		R	R

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414,530 Rates and General Services

414,530	Community services	1,195,000	16,902,927	651,214	-	17,554,141
-	Land and buildings	45,000	10,435,574	-	-	10,435,574
6,373	Plant and equipment	600,000	494,764	-	-	494,764
337,605	Motor vehicles	250,000	5,024,923	587,710	-	5,612,633
16,957	Furniture and fittings	-	381,238	63,504	-	444,742
53,595	Computer equipment	300,000	566,428	-	-	566,428
	Economic services		638,551	-	-	638,551
-	Solid Waste Disposal	-	638,551	-	-	638,551
414,530	TOTAL FIXED ASSETS	1,195,000	17,541,478	651,214	-	18,192,692
1,128,527	Less: Loans redeemed and other capital receipts	1,195,000	17,518,209	-	-	17,581,713
713,997	Loans redeemed		7,610,280	-	-	7,610,280
414,530	Revenue contribution	1,195,000	9,907,929	63,504	-	9,971,433
(713,997)	NET FIXED ASSETS	-	23,269	587,710	-	610,979

APPENDIX D: ANALYSIS OF OPERATING INCOME AND EXPENDITURE

Actual 2006 R	INCOME	Actual 2007 R	Budget 2007 R
29,210,117	Government Grants & Subsidies:	36,404,036	30,000,000
23,752,911	Central government	26,026,399	30,000,000

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5,457,206	Provincial government	10,377,637	
1,832,503	Operating Income:	1,615,154	50,000
1,124,414	Assessment rates	763,905	-
118,768	Other service charges	25,140	-
61,000	Proceeds on disposal of fixed assets	-	-
528,321	Other Income	826,109	50,000
31,042,620	TOTAL INCOME	38,019,190	30,050,000

Actual 2006 R	EXPENDITURE	Actual 2007 R	Budget 2007 R
42,154,079	Total expenditure	42,732,623	29,577,065
17,776,557	Salaries, wages and allowances	20,420,118	18,858,865
14,812,862	General expenditure	10,865,384	8,743,200
3,296,444	Repairs and maintenance	1,936,523	780,000
104,026	Increase in bad debt provision	-	-
-	Transfer grants paid	2,781,849	-
713,997	Capital charges	-	-
5,363,168	Capital expenditure	6,549,524	-
414,530	Contributions to fixed assets	651,214	1,195,000
2,862,472	Local Economic Development	1,653,795	-
343,279	Mayoral Discretionary Fund	279,610	-
1,742,887	Access Roads	3,964,905	-
87,025	Contributions to revolving fund	179,225	-
-	Less: Amounts Funded Externally	(587,710)	-
42,154,079	NET EXPENDITURE	42,144,913	29,577,065
(11,111,459)	NET (DEFICIT) / SURPLUS	(4,125,723)	472,935

APPENDIX E: DETAILED INCOME STATEMENT

2006 Actual income R	2006 Actual expenditure R	2006 Surplus/ (deficit) R		2007 Actual income R	2007 Actual expenditure R	2007 Surplus/ (deficit) R	2007 Budget R
31,042,620	42,154,079	(11,111,459)	RATES & GENERAL	38,019,130	42,144,913	(4,125,783)	30,050,000

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SERVICES							
Community services							
31,042,620	42,154,079	(11,111,459)					
1,124,414	-	1,124,414	Assessment rates	763,905	-	763,905	-
-	2,142,077	(2,142,077)	Council General expenses	-	4,265,582	(4,265,582)	-
-	1,504,060	(1,504,060)	Office of the mayor	-	1,369,034	(1,369,034)	4,157,328
-	2,336,356	(2,336,356)	Municipal manager	-	3,591,909	(3,591,909)	1,699,757
-	8,189,182	(8,189,182)	Corporate Services	-	7,214,495	(7,214,495)	8,215,363
29,918,206	7,526,179	22,392,027	Finance Department	37,255,225	7,475,997	(29,779,228)	2,694,298
-	9,423,824	(9,423,824)	Local economic development	-	7,049,443	(7,049,443)	1,578,456
	11,032,401	(11,032,401)	Engineering, Development & Planning	-	11,178,453	(11,178,453)	11,231,862
31,042,620	42,154,079	(11,111,459)	TOTAL	38,019,130	42,144,913	(4,125,783)	29,577,064
	(11,111,459)		Deficit before appropriations			(4,125,783)	
31,378			Appropriations for the year			-	
(11,080,081)			Net deficit for the year			(4,125,783)	
7,825,467			Accumulated surplus / (deficit) at the beginning of the year			(4,031,752)	
(777,138)			Prior year adjustment (Note 12)			(1,620,162)	
7,048,329			Restated accumulated surplus / (deficit) at the beginning of the year			(5,651,914)	
(4,031,752)			ACCUMULATED DEFICIT AT THE END OF THE YEAR			(9,777,697)	

APPENDIX F: STATISTICAL INFORMATION

GENERAL STATISTICS

	2007	2006
Population (2001 Census)	146,968	146,968
Municipal area – square kilometres	1291	1291

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Total Valuations: Taxable R'000	111,138	111,138
Non-taxable R'000	365	365
Valuation date	2000	2000
Number of properties billed: Residential	780	780
Commercial	85	85
Government	182	182
Assessment rates total billed (R'000)	764	1,124
Number of customers on billing systems	1068	1068
Number of employees	187	190